

(8) RETIREMENT PLANS:

The Company has a 401(k) Retirement Savings Plan covering all NECA regular employees. The plan is both contributory and noncontributory and all contributions are subject to certain limitations as prescribed by the Plan Document and government regulations. Employees are vested based on the following schedule-

|        | <u>Employee<br/>Contribution</u> | <u>Employer<br/>Contribution</u> |
|--------|----------------------------------|----------------------------------|
| Year 1 | 100%                             | 25%                              |
| Year 2 | 100%                             | 50%                              |
| Year 3 | 100%                             | 75%                              |
| Year 4 | 100%                             | 100%                             |

Contributions are funded on a current basis. 401(k) Retirement Savings Plan employer contributions charged to operations were \$679 in 1996 and \$705 in 1995.

NECA also has a noncontributory Money Purchase Pension Plan covering all NECA regular employees. Employees are not vested in the plan until they complete five years of service, as defined by the plan document, at which time they are fully vested. NECA contributed amounts equal to 7% of compensation, which is funded on a current basis. Employer contributions charged to operations were \$1,330 in 1996 and \$1,413 in 1995.

In addition, NECA maintains two Supplemental Executive Retirement Plans (SERPs) for certain management personnel. One plan is funded through NECA contributions in order to reach a target retirement benefit and another is funded by participant salary deferrals. Under the deferred salary plan, participants are fully vested at the time of deferral, and are entitled to a total distribution of the plan balance upon separation. SERP balances are affected by plan additions as well as fluctuations in the market values of the underlying investments. Total SERP balances at December 31 were \$1,523 in 1996 and \$1,025 in 1995.

National Exchange Carrier Association, Inc.  
Guidelines for Temporary Investments of NECA

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PRIMARY OBJECTIVES

The preservation of access revenues and support funds held by NECA pending distribution to exchange carriers will be accomplished with three primary objectives or criteria in mind. These are:

- safety
- liquidity
- yield

Safety

Temporary Investments will be made only in securities with the maximum degree of safety. We do this through purchase of government securities, corporate commercial paper that is highly rated, investments with banks that are in sound financial condition and other investments that have appropriate ratings and/or insurance which provides for the requisite maximum degree of safety.

Liquidity

All temporary cash investments will be in instruments that are highly liquid and can be sold at any time in the secondary money market or back to the original seller. This will ensure our ability to take care of all cash needs that could arise unexpectedly. When cash is needed, we will request bids from dealers and sell to the dealer with the most attractive bid.

Yield

Temporary investments will be made with the intent of maximizing yield within the constraints of the above criteria of safety and liquidity. When these two objectives or criteria are satisfied, we will select those instruments which provide the best yield.

SPECIFIC LIMITATIONS OF VARIOUS INVESTMENTS ARE DESCRIBED IN SECTION IV - INVESTMENT CRITERIA AND RESTRICTIONS.

# National Exchange Carrier Association, Inc. Guidelines for Temporary Investments of NECA

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## INVESTMENT CRITERIA AND RESTRICTIONS

The following are the investment criteria and restrictions applicable to NECA temporary cash investments:

### A. U.S. Government/Treasury Securities

- All U.S. Government obligations.
- Any other securities constituting an indirect obligation of the United States or a direct or indirect obligation of any agency of the United States.
- There is no limit on the percentage level of U.S. Government securities.

### B. Bank Securities

- Investments in bank securities of both domestic and foreign banks which are rated "B" or better by Keefe, Bruyette and Woods' Bank Watch and have assets of at least \$5 billion.
- Any certificate of deposit (including Eurodollar Certificates of Deposit), other time deposits or banker's acceptances with a maturity of not more than twelve (12) months and bank holding company commercial paper with a maturity of 270 days or less.
- All bank securities combined shall be limited to a maximum of \$50 million per bank or 1 percent of the bank's assets, whichever is lower; and a combined limit of \$50 million per transaction.

## National Exchange Carrier Association, Inc. Guidelines for Temporary Investments of NECA

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### C. Commercial Paper

- Commercial paper of a corporation organized in the United States with a maturity of 270 days or less and is rated prime. Prime is interpreted to mean a rating of A-1+/A-1, P-1 or F-1 by Standard & Poors, Moody's and Fitch Investors Service, respectively. Any paper purchased must carry a prime rating of two of the foregoing rating agencies.
- Investments in a commercial paper of corporate issuers will be limited to a maximum of \$50 million for issuers with net worth of \$1.5 billion and a maximum of \$25 million or 1.5 percent of the issuer's net worth, whichever is lower, for issuers with net worth below \$1.5 billion.

### D. Repurchase Agreements

- All U.S. Government securities of any maturity will be acceptable as collateral for "repos".
- Any other security such as certificates of deposit, commercial paper, etc. which may be purchased outright for NECA's temporary cash investments. will be acceptable as collateral for "repos".
- Letters must be sent annually (or upon changes) instructing dealers as to NECA's acceptable collateral guidelines, personnel permitted to negotiate repos and dollar limit of trades.
- Confirmation tickets must meet Government Securities guidelines.
- Repurchase transactions are not to exceed one business day.
- Transactions are limited to \$50 million with an individual dealer.
- If at any time the Treasurer, Assistant Treasurer or Trader become aware of a primary dealer having financial difficulty, a special meeting of TIC will be convened to determine the safety of future investments with that institution.

## National Exchange Carrier Association, Inc. Guidelines for Temporary Investments of NECA

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### D. Repurchase Agreements (cont'd)

- To enter any repurchase transaction, the following information must be on file with the NECA Treasury Department:
  1. A Repurchase Agreement which must be in effect with a dealer prior to any repo transaction taking place.
  2. Current audited annual and quarterly financial statements must be on file for each dealer which include disclosure of the dealer's compliance with the "Net Capital Rules".
  3. Letter from dealer's CPA indicating that there are no material weaknesses in the dealer's internal procedures for compliance with "Net Capital Rules".
  4. Dealers must be on Federal Reserve's "Primary Dealer" list.

### E. Institutional Cash Portfolios

May only be invested with institutions that meet NECA's requirements for safety, liquidity and yield and have approved contracts on file that were approved by NECA's Legal Department and Treasurer.

The maximum amount of funds allowed for investment are \$50M for a duration of one day.

9. Separations and settlements procedures, results, amounts of revenues collected or distributed.

Company specific information which is made public by the owner thereof, shall not be deemed to be proprietary information under this Agreement.

In addition, all salary information provided in connection with the assignment of employees to NECA is considered confidential and proprietary information within the scope of this agreement.

By signing, dating, and returning the enclosed copy of this letter agreement, you agree to protect this proprietary information from unauthorized use or disclosure beyond the legitimate scope of NECA information activities, and to use such solely within the scope of your duties on behalf of the NECA and not to disclose such information to any persons not expressly authorized by the NECA to receive such information. Similar agreements are being requested of all NECA staff members.

Unauthorized use for any purpose other than the legitimate objects of the Association, or the unauthorized disclosure of this proprietary information, in any format, to anyone not associated with the NECA could subject you to the risk of liability for damages or other significant liabilities.

In using, disclosing or reproducing information received for the limited purpose of the Association, you agree to take all reasonable precautions not to disclose without authorization from me or my delegate, to anyone outside the staff of the NECA, the proprietary information received from any company for use in the collection and distribution of exchange access revenues and the formulation of the exchange access tariffs and tariffing procedures pursuant to the FCC's directive.

You further agree to avoid using or disclosing this proprietary information to others to use for purposes other than the internal work of NECA staff in connection with FCC mandated activities of NECA.

Your agreement to comply with these obligations to protect this proprietary information from unauthorized disclosure or use is prerequisite to you continuing your assignment with NECA. It should be understood that this obligation on your part exists not only during your association with the NECA but will continue thereafter so long as the information in question has not been made public by its owner or owners.

This agreement will be governed by and construed under the laws of the State of New Jersey.

Please indicate your agreement to abide by these obligations by signing, dating, and returning the enclosed copy of this letter agreement. Should it be necessary subsequently

National Exchange Carrier Association, Inc.  
Guidelines for Temporary Investments of NECA

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Investment Criteria Summary

|   | <u>Maximum Amount<br/>of Investment</u>   | <u>Maximum<br/>Maturity</u> |
|---|---|-----------------------------|
| U. S. Government Securities                             | Unlimited   | Unlimited                   |
| Bank Securities:  |   |                             |
| • Bankers' Acceptances                                  | Combined limit of<br>\$50 million per<br>bank   | 12 Months                   |
| • Certificates of Deposit<br>(including Eurodollar CDS) |   |                             |
| Commercial Paper  | Maximum of \$50<br>million for issuers<br>with net worth of<br>\$1.5 billion; or<br>1.5% of net worth<br>(whichever is lower)<br>for issuers with net<br>worth below \$1.5 billion. | 270 Days                    |
| Repurchase Agreements                                   | \$50 million per<br>approved dealer   | 1 Day                       |
| Institutional Cash<br>Portfolios                        | \$50 million per<br>institution   | 1 Day                       |

100 South Jefferson Road  
Montclair, New Jersey 07061  
201 884-8000

RE: AGREEMENT NOT TO DISCLOSE PROPRIETARY INFORMATION

You have been assigned to perform work on behalf of the National Exchange Carrier Association, Inc. (NECA). The vital mark of NECA involves, in part, the receipt and analysis of data from a large number of telephone companies, data generated by them in the conduct of their business, which belongs to them, and which we must assume, has been held by them in confidence and is imparted to us only for use in connection with the formulation of the tariffs and the functions of NECA mandated by the Federal Communications Commission.

All data which is company-specific received by or on behalf of the NECA, and all data bases, analytical procedures, computer programs, software or hardware, access to which is furnished by any company to the NECA, or to those designated to perform NECA-related work for the performance of that work, is presumed to be proprietary information within the purview of this agreement.

For example, "proprietary information" as used herein, includes, but is not limited to the following:

1. Exchanges carrier costs, revenues, or demand quantities;
2. Cost or demand growth forecasts;
3. Rate structures, rate elements, rate levels or estimates thereof for access services;
4. Estimated NECA or exchange carrier revenues, rates, demand volumes;
5. Estimates of market response to prices for access services;
6. Tariff provisions or structures;
7. Methodologies, worksheets, computer access identification, documentation, user instructions, or other forms of costing demand quantification or rate computation or analytical tools and procedures;
8. Billing systems methods and programs;



to use a different form of agreement, I will so advise you and seek an agreement from you.

Dated: \_\_\_\_\_

Sincerely,  
National Exchange Carrier Association, Inc.

By: Bruce W. Baldwin  
B.W. Baldwin  
President

I hereby agree and consent to abide by the limitations expressed above.

Signed: \_\_\_\_\_

Employer Company: \_\_\_\_\_

Date: \_\_\_\_\_

ATTACHMENT IV

AGREEMENT FOR THE DISTRIBUTION  
OF  
INTERSTATE ACCESS REVENUES  
(Cost Companies)

SECTION VIII

PROPRIETARY INFORMATION

Any information disclosed by the Exchange Carrier to the Association pursuant to this Agreement shall be used by the Association solely for the purposes of administering and otherwise implementing the terms of this Agreement. Information relating to the distribution of pooled access charge revenues provided under this Agreement shall be held in confidence by the Association and its employees, contractors or agents. Except as provided for in Section VII of this agreement, the Association shall not disseminate or release material furnished by an Exchange Carrier containing company specific information to other than its employees, contractors or agents, unless otherwise agreed upon in writing. However, nothing in this Section shall require the Association to keep confidential any information which is publicly available..

In addition, the Association agrees to give notice to the Exchange Carrier of any demands to disclose or provide any company specific information provided to the Association in conjunction with distribution of pooled access charge revenues under lawful process, unless lawfully restrained from doing so, prior to disclosing or

furnishing such information, and agrees to cooperate in seeking reasonable protective arrangements requested by the Exchange Carrier. In addition, the Association may disclose or provide information of an Exchange Carrier required under lawful order by a government agency having requisite jurisdiction; provided that the Association agrees to use its best efforts to obtain protective arrangements satisfactory to the Exchange Carrier owning the information; and provided further that the Exchange Carrier owning the information may not unreasonably withhold approval of the protective arrangements.

# **NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

## ***1997 Company Officers and Board of Directors***

### **Officers**

**William W. Magruder**, Chairman of the Board and Chief Executive Officer

**John A. Gueldner**, Vice Chairman of the Board

**Bruce W. Baldwin**, President and Chief Operating Officer

**William E. Stern**, Vice President--Tariffs and Costs

**John A. Greig**, Vice President and Chief Financial Officer

**Kenneth A. Levy**, Vice President and General Counsel

**David F. Hoyle**, Secretary and Executive Director--Administration

**Ronald E. Cook**, Treasurer and Executive Director--Finance

### **Board of Directors**

Part 69.602 of FCC Rules establishes the composition of the NECA Board of Directors as attached. NECA's Board is comprised of 10 member company representatives--two from Subset 1, two from Subset 2, and six from Subset 3--and five directors from outside the telecommunications industry. Each subset nominates and elects its own representatives. Outside directors are elected by the entire NECA membership. The NECA Board's current term began in January, 1997.

### **Subset 1 Directors**

Subset 1 (directors representing the Bell Operating Companies) directors are Jacob J. Goldberg, Vice President, Wholesale Markets, NYNEX, New York City; and John A. Gueldner, Vice President--Regulatory, Pacific Bell, San Francisco, California.

### **Subset 2 Directors**

Subset 2 (directors representing other local telephone companies with annual revenues of \$40 million or more) directors are Michael D. Campbell, Vice President and Chief Financial Officer of Roseville Telephone Company, Roseville, California; and Marvin C. Cunningham, Jr., Vice President, Revenues and External Affairs, Century Telephone Enterprises, Inc., Monroe, Louisiana.

### **Subset 3 Directors**

Subset 3 (directors representing all remaining telephone companies) directors are Gerry Anderson, General Manager, Mid-Rivers Telephone Cooperative, Inc., Circle, Montana; Donald E. Bond, President and General Manager, Public Service Telephone Company, Reynolds, Georgia; Mark Grady, General Manager, New Paris Telephone, Incorporated, New Paris, Indiana; Paul A. Hoff, General Manager, Park Region Mutual Telephone Company, Underwood, Minnesota; William W. Magruder, General Manager, Duo County Telephone Cooperative, Jamestown, Kentucky; and Gerald Levenske, General Manager, Nelson Telephone Cooperative, Durand, Wisconsin.

### **Outside Directors**

Outside directors are Bob Bergland of Minnesota, a former U.S. Secretary of Agriculture and former U.S. Congressman; Gloria Gaylord, a certified public accountant and former public utility commissioner in Ohio; Nels Smith, a rancher and former public utility commissioner in Wyoming; Charles B. Gill of Florida, a former chief executive officer of the National Rural Utilities Cooperative Finance Corporation; and Robert E. Stoffels of Illinois, the former editor of *America's Network*, previously *TE&M* magazine.

Attachment: FCC Part 69.602 - Board of Directors

**§ 69.602**

**§ 69.602 Board of directors.**

(a) For purposes of this Section, the association membership shall be divided into three subsets:  
(R-52)

(1) The first subset shall consist of the telephone companies owned and operated by the seven Regional Bell Holding Companies;

(2) The second subset shall consist of all other telephone companies with annual operating revenues in excess of forty million dollars;

(3) The third subset shall consist of all other telephone companies.

All commonly controlled companies shall be deemed to be one company for purposes of this Section.

(b) There shall be fifteen directors of the association.

(c) Until 1996, three directors shall represent the first subset, three directors shall represent the second subset, and nine directors shall represent the third subset. In 1996 and thereafter, two directors shall represent the first subset, two directors shall represent the second subset, six directors shall represent the third subset, and five directors shall represent all three subsets. (R-30,52)

(d) No director who represents all three subsets shall be a current or former officer or employee of the association or of any association member, or have a business relationship or other interest that could interfere with his or her exercise of independent judgment. (R-52)

(e) Each subset shall select the directors who will represent it individually through an annual election in which each member of the subset shall be entitled to vote for the number of directors that will represent such member's subset. (R-30,52)

(f) The association membership shall select the directors for the following calendar year who will represent all three subsets through an annual election in which each member of the association shall be entitled to one vote for each director position. There shall be at least two candidates meeting the qualifications in paragraph (d) of this section for each such director position: (R-52)

(1) in any election in which the most recently elected director for such position is not a qualified candidate;

(2) if there has been no election for such position having more than one qualified candidate during the present and the two preceding calendar years; and

(3) in any election for which the ballot lists two or more qualified candidates.

(g) At least one director representing all three subsets shall be a member of each committee of association directors. (R-52)

(h) For each access element or group of access elements for which voluntary pooling is permitted, there shall be a committee that is responsible for the preparation of charges for the associated access elements that comply with all applicable sections in this Part. (R-52)

(i) Directors shall serve for a term of one year commencing January 1 and concluding on December 31 of each year. (R-52)

**NECA**  
**Disaster Recovery Plan**  
 Issued 5/1/92

A Corporate disaster will be declared by the Corporate Recovery Coordinator (See Page 2). The Corporate Disaster Recovery Plan is a series of steps which should be followed to begin processing at the recovery and alternate sites and to rebuild and return to the primary site.

The plan becomes effective when a disaster is declared and remains in effect until operations are resumed at the rebuilt primary center (or its replacement). All personnel are expected to be available for assignment and should wait until instructions are received from Team C personnel (See Page 2).

**Recovery Site(s):** Location for the continuation of data processing activities.

**Alternate Site(s):** Location(s) for the continuation of all critical activities other than data processing.

**Primary Site(s):** Location(s) for permanent business operation.

Recovery teams have been established to ensure a coordinated response to an emergency and to facilitate effective disaster control during the emergency.

NECA's recovery teams are as follows:

**Team A**

President  
 All Vice Presidents  
 Corporate Recovery Coordinator

**Team B**

Director – Support Services

**Team C**

All Executive Directors

In the event any Team members are unavailable to activate the appropriate recovery procedures, their immediate supervisor will assume responsibility.

Recovery and alternate facilities will be available to resume business after a disaster has occurred (not national in scope).

The Corporate Recovery Coordinator will notify all Team C members of the location and the directions to the Recovery and Alternate sites.

Once a disaster has been declared, the Corporate Recovery Plan should be executed as follows: (Activity sequences are not necessarily chronological since many activities can be performed independently of the others).

**Corporate Recovery Coordinator**

- create a disaster recovery activity log and begin recording activities
- alert Team A members to the situation and instruct them to assemble at a convenient location
- alert Teams B, C and Risk Management
- establish a location for the Team A command center

**Team B**

- review Team B staffing with Corporate Recovery Coordinator, and appoint additional team members as required
- determine which vendors are to be notified to assist in the assessment of the facility's operability
- contact and assemble the appropriate vendors to assess the extent of physical damage to the primary site
- inventory usable equipment
- identify physical damage, environmental damages, salvageable materials and equipment

top a list of all property which must be  
ced or repaired  
top a sequence and schedule for the  
r/replacement of property  
injunction with the vendors, identify the  
um and maximum recovery times for  
primary facility  
y Team A of findings  
y all alternate sites of the requirement  
e the facilities

#### **Executive Director – Information Systems**

y the recovery site of the requirement  
e the facilities  
in access to the recovery site – notify  
Corporate Recovery Coordinator

aw the availability of critical function  
nnel as established in section II of the  
artmental Plan  
gn staff personnel to appropriate  
very and alternate sites for the critical  
tions established in section I of the  
artmental Plan  
ire permanent/temporary  
acements for unavailable personnel  
ed on the staffing resource pool as  
blished in section III of the  
artmental Plan

#### **Corporate Recovery Coordinator**

- review status of primary site restoration and schedule to resume operations at primary site
- advise Risk Management of status

#### **Team B**

- notify equipment and software vendors of production operating status
- notify pick-up/delivery vendors of service schedule
- arrange for shipment to primary site
- inspect the facility to ensure its safety
- verify environmental systems and utility services
- establish/review primary site physical security procedures
- review/verify primary site configuration with Corporate Recovery Coordinator
- arrange transportation to primary site
- obtain files from the recovery site for establishing the operating environment and move them to the primary site

#### **Team C**

- verify the availability of data, documentation, supplies and personnel
- notify Risk Management of the operability of the restored site or new facility

#### **Team C**

- review progress with Team B and vendor representatives
- determine return schedule
- return to primary site

#### **Executive Director – Information Systems**

- back-up updated files from the recovery site and move them to the primary site
- restore and verify all NECA system software, data files and communications network functions
- notify remainder of Team C of primary site operability
- return back-up tapes to offsite storage facility
- resume application operations at the primary site

#### **All Teams**

- review the activity log
- document personal impressions
- identify plan deficiencies
- inform Risk Management to update the plan



**Team C**

- notify vendors as established in section V of the Departmental Plan and arrange for continuing services at the recovery and alternate sites

**Team B**

- notify the appropriate vendors of the need for service in order to schedule for the repair/replacement of vital equipment
- coordinate recovery & alternate sites preparation and notify Risk Management and Users
- establish recovery and alternate sites physical security procedures
- arrange transportation to the recovery site, and alternate facility lodging for personnel
- obtain critical data back up files and documentation as submitted by all departments and move them to the recovery and alternate sites for establishing the normal operating environment
- notify Corporate Recovery Coordinator of recovery and alternate sites occupation
- review security procedures at recovery and alternate sites

**Executive Director – Information Systems**

- obtain the recovery site operating system

**Executive Director – Information Systems**

- restore and verify NECA system software, data files and communications' network functions
- run a production test job stream to determine the completeness of the recovery site configuration
- back-up recovered and updated files and store them offsite
- notify remainder of Team C upon completion

**Team B**

- review the assessment of damage to the primary facility in conjunction with Risk Management
- determine activities and responsibilities for completing the rebuilding
- determine critical path and estimate completion dates, and coordinate with contractors and vendors
- review plans with Team C and Corporate Recovery Coordinator
- identify costs
- acquire financial commitment (through Team A) to support orders
- notify the vendors/contractors to begin primary site restoration or relocation
- restore structural area, security, utility services, equipment and supply inventories
- keep Corporate Recovery Coordinator and Team C informed of status

**Corporate Recovery Coordinator**

- review status of primary site restoration and schedule to resume operations at primary site
- advise Risk Management of status

**Team B**

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- establish/review primary site physical security procedures
- review/verify primary site configuration with Corporate Recovery Coordinator
- arrange transportation to primary site
- obtain files from the recovery site for establishing the operating environment and move them to the primary site

**Team C**

- verify the availability of data, documentation, supplies and personnel
- notify Risk Management of the operability of the restored site or new facility

**Team**

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#### **Executive Director – Information Systems**

- restore and verify NECA system software, data files and communications' network functions
- run a production test job stream to determine the completeness of the recovery site configuration
- back-up recovered and updated files and store them offsite
- notify remainder of Team C upon completion

#### **Team B**

- review the assessment of damage to the primary facility in conjunction with Risk Management
- determine activities and responsibilities for completing the rebuilding
- determine critical path and estimate completion dates, and coordinate with contractors and vendors
- review plans with Team C and Corporate Recovery Coordinator
- identify costs
- acquire financial commitment (through Team A) to support orders
- notify the vendors/contractors to begin primary site restoration or relocation
- restore structural area, security, utility services, equipment and supply inventories
- keep Corporate Recovery Coordinator and Team C informed of status

#### **Corporate Recovery Coordinator**

- review status of primary site restoration and schedule to resume operations at primary site
- advise Risk Management of status

#### **Team B**

- notify equipment and software vendors of production operating status
- notify pick-up/delivery vendors of service schedule
- arrange for shipment to primary site
- inspect the facility to ensure its safety
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- establish/review primary site physical security procedures
- review/verify primary site configuration with Corporate Recovery Coordinator
- arrange transportation to primary site
- obtain files from the recovery site for establishing the operating environment and move them to the primary site

#### **Team C**

- verify the availability of data, documentation, supplies and personnel
- notify Risk Management of the operability of the restored site or new facility

#### **Team C**

- review progress with Team B and vendor representatives
- determine return schedule
- return to primary site

#### **Executive Director – Information Systems**

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- return back-up tapes to offsite storage facility
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#### **All Teams**

- review the activity log
- document personal impressions
- identify plan deficiencies
- inform Risk Management to update the plan